Defining and Classifying Voluntary Organizations for the National Survey of Voluntary Organizations

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To design the National Survey of Voluntary Organizations we need to both define what types of organizations that are of interest to the study and to determine how these organizations will be classified. In order to develop a sample frame from which to draw a survey sample, we require a clear definition of the population of interest for the study. In addition, we need to have an initial sense about which characteristics of these organizations that are of interest in the study in order to ensure that the survey sample is constructed in such a way as to allow analysis of these characteristics. This paper outlines a proposed operational definition for the NSVO survey population and proposes an initial classificatory framework for structuring the study and analysis of voluntary organizations.

As Febrarro, Hall and Parmegianni (1999) show in their paper on defining and classifying the voluntary health sector, there is a lack of consensus about appropriate terminology to describe the field of voluntary sector inquiry, little agreement about which organizations should be included in the voluntary sector and little attention paid to the appropriate distinctions to draw among nonprofit or voluntary organizations for classification purposes. Terms such as the *voluntary sector*, the *nonprofit sector* and the *third sector* are often used to describe population of interest, yet such terms, while often used interchangeably, connote slightly different boundary sets of organizations. The variety of labels, dimensions, and classificatory systems that are currently in use limit our ability to build a coherent body of knowledge.

This paper attempts to provide the foundations for a common language, definition and classification system to be used in the NSVO. As Febrraro, Hall and Parmegiani note, the purpose of a definition is to construct rules which are based on the attributes that organizations hold in common while the purpose of classification is to identify attributes that distinguish organizations from one another. Much of what is proposed follows directly from the recommendations that Febrraro, Hall and Parmegiani made for studying the voluntary health sector. This paper applies their proposals to the sudy of the broader voluntary and nonprofit sector which is the focus of the NSVO.

The recommendations herein about how to define the voluntary and nonprofit sector and how to classify voluntary/nonprofit organizations should be considered provisional. They have been developed a priori and require validation with the empirical data that will be collected via the NSVO. The NSVO data will permit us to assess the extent to which classification dimensions that have been chosen are truly meaningful and reality-based. The proposed definitions and classification are therefore intended to guide the design of the NSVO and may need to be revised after their utility has been assessed.

The paper begins by discussing the concept of sector itself as well as some of the implications and limitations of using this concept. Next, it briefly reviews the various labels that have been used to describe research on voluntary/nonprofit organizations. An opertational definition and label for the population of organizations of interest are then proposed. Finally, a preliminary classification system or set of organizing dimensions is proposed for the NSVO.

The Concept of a Sector

Much of the literature pertaining to voluntary and nonprofit organizations has as its conceptual underpinnings the idea that organizations can be divided into three basic sectors of activity: public, private, and nonprofit. This three sector model appears to have originated from economic classifications of organizational activity.

The initial (1953) version of the United Nations System of National Accounts (UNSNA), for example, divided the economy into three sectors: enterprises; households and nonprofit institutions serving households; and general government. Beginning with the 1968 revision of the UNSNA, however, later versions distinguished the nonprofit sector from the household sector, thus yielding a four-sector model (Anheier, Rudney, & Salamon, 1992).[i]

The current (1991) version of the UNSNA employs a four-sector model and defines nonprofit organizations as "legal entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain to the units that establish, control, or finance them" (Anheier, Rudney, & Salamon, 1992, p. 25). On this definition, the nonprofit sector includes all resident nonprofit institutions except: (a) nonprofit market producers (producers of goods and services for sale); and (b) non-market profits either controlled or mainly influenced by government (i.e., that receives at least half of its income from government). Accordingly, the nonprofit sector includes primarily two kinds of nonprofit organizations: (a) trade unions; professional associations; learned societies; consumer associations; political parties; churches and religious societies; social, cultural, recreational, and sports clubs; and (b) charities and relief/aid organizations financed by voluntary contributions.

In addition to three- and four-sector models, other sector models have been suggested. Marshall (1996), for example, proposed a more differentiated, six-sector model of organization (private, statutory, religious, philanthropic, community, and informal), with the latter four sectors comprising the voluntary sector.

Sectoral divisions of organizational activity have been criticized (Abzug, 1999; Marshall, 1996) as failing to recognize that the boundaries between non-profit, private and government sectors are not well enough defined to be of practical use. Abzug argues that distinctions between public, private, and nonprofit sectors are artificial constructs and that sector boundaries are both permeable and historically variable within given economies. Such distinctions may overlook relationships that cut across boundaries such as instances where voluntary/nonprofit organization (e.g., trade associations) help to promote and legitimate for-profit businesses and when for-profit organizations are created to fund the activities of voluntary/nonprofit organizations. There is also the issue of isomorphism among organizations that engage in similar activities within different sectors. For example, for-profit, government and nonprofit day care centres are likely to have more in common with one another than they would with other

organizations within their own sectors that provide different services (e.g., for-profit manufacturers, government departments, or nonprofit museums).

Work on the NSVO is based on a tripartite division of organizational activity. It recognizes, however, that the boundaries that separate, for-profit, government and voluntary/nonprofit organizations may be somewhat fuzzy. The starting point in defining the field of inquiry for the NSVO is to define voluntary and nonprofit sector as comprising those organizations that are not explicitly for-profit or exclusively government. Next, we turn to the task of more explicitly defining those organizations that are to be conceptualised as being part of the voluntary and nonprofit sector. To do so, it is helpful to consider the various terms or labels that currently exist for voluntary/nonprofit organizations and to discuss what these labels suggest about the appropriate boundaries for a voluntary/nonprofit sector.

Labels and Definitions

There is a bewildering assortment of terms that are used to describe the various organizations that are of interest to the NSVO such as the voluntary sector, nonprofit sector, third sector, civil society, and independent sector. Febrarro, Hall and Parmegiani (1999) review a number of labels commonly used to refer to the voluntary/nonprofit sector and show how the different labels have their origins in specific academic disciplines, such as economics or sociology and include or exclude certain types of organizations (see Table 1 for a summary). They conclude that the appropriate term that should be used to describe the sector and organizations of interest is the term *voluntary and nonprofit*.

Each of the various labels has its own strengths and weaknesses for use in as study of voluntary organization in Canada. For example, the label *charitable sector* reflects a legal distinction between non-profit corporations that are registered as charities and those that are not. In Canada, eligibility for charitable registration status requires that the major purpose of an organization be restricted to one of four areas of activity: health; the relief of poverty; the advancement of education; and the advancement of religion or other

purposes of a charitable nature beneficial to the community as a whole (Sharpe, 1994). The charitable sector therefore consists of those organizations that are legally registered charitable organizations and charitable foundations that focus on a particular set of activities. According to Revenue Canada, there are over 78,000 registered charities, however Quarter (1992) estimates that there are 100,000 other nonprofit organizations that are not registered charities (Quarter, 1992).

The label *independent sector* emphasizes the important role that such organizations play as a "third force" outside government and private business, but overlooks the fact that many of these organizations (e.g., hospitals and other health organizations) are far from financially independent (Salamon & Anheier, 1992).

Civil society is a very broad term that refers to all organizations that have a role in mediating between the individual and state, that are separate from the process of voting but that allow citizens to participate in the development of a democracy (Holloway, 1998).

The label *social economy* is generally thought to refer to that area of the economy between the private, for-profit sector and the public (government) sector. However, the label lacks a clear definition, particularly in the way in which it is employed in Canada. It may also be misleading in that it implies an integrated system of institutions working toward common social goals, rather than the present Canadian reality of a highly fragmented group of organizations that function in the "shadow" of the private, for-profit sector (Quarter, 1992).

The label *voluntary sector* may be the preferred term for many in this sector (Klatt, 1997). It emphasizes the significant input that volunteers make in the management or operations of organizations in the sector, although it obscures the fact that most of the activity within the sector is carried out by paid employees.

Nonprofit sector is a slightly different label that emphasizes the idea that organizations in this sector do not exist primarily to generate profits for their owners; however, it fails to

acknowledge that these organizations sometimes do earn substantial profits (Salamon & Anheier, 1992). The term *nonprofit* has also been criticized for defining the sector in residual or negative terms (i.e., in terms of what it is not, rather than in terms of what it is), and for emphasizing the economic aspects of the sector at the expense of its social or other less tangible contributions (Lohmann, 1992; Salamon & Anheier, 1992; Scott, 1997).

A useful label should be broad enough to encompass the diversity of organizations involved in, but not so broad that it is rendered meaningless or impractical. Similarly, the ideal label should be positive, in that it should define the sector in terms of what it *is* and what it contributes to the lives of Canadians, rather than in terms of what it is *not*. Finally, the label should be acceptable to members of the sector itself. Given these considerations, it is suggested that the NSVO use the term *voluntary and nonprofit* to refer to the sector and organizations that are the subject of its study. The *voluntary* element portrays the sector in a positive or active light, while the *nonprofit* element expresses the sector's distinction from both market and state and avoids unrealistic assumptions regarding the nature of labour participation in the sector (i.e., that all work is done by volunteers).

Operational Definition of Voluntary and Nonprofit Organizations. The first task in developing any classification system is to define precisely what types of organizations are being classified. The NSVO employs the operational definition established by the International Classification of Nonprofit Organizations (INCPO) (Salamon & Anheier, 1997) and the Capacity Joint Table's Research Steering Committee. Voluntary and nonprofit organizations are defined as those organizations that are:

- Organized (having some structure., institutionalized to some extent, but not necessarily legally incorporated)
- Non-governmental (institutionally separate from governments)
- Non-profit distributing (not returning profits generated to its owners or directors)
- Self-governing (independent and able to control its own activities); and,

- Voluntary (benefiting to some degree from the voluntary contribution of time or money)

Accordingly, the voluntary/nonprofit sector as a whole may include organizations as diverse as universities, orchestras, clubs, daycare centres, hospitals, mutual insurance companies, labour unions, religious organizations, political parties, self-help groups, shelters and food banks.

The NSVO will focus mainly on those organizations who meet the above criteria and that are also formerly incorporated or registered as societies with the provincial and federal government. These "incorporated" organizations are more likely to have some degree of permanence and are, therefore, more likely to have the potential to respond to targeted initiatives to improve capacity.

However, the voluntary and nonprofit sector is also defined as being comprised of organizations that are not incorporated but that, nevertheless have some organizational permanence as might be evidenced by the having regular meetings, rules of procedure or articles of constitution. These unincorporated organizations are not part of the survey population for the NSVO but will be studied in an adjunct survey that specifically targets these organizations.

It is important to note that one practical consequence of this definition is that it is impossible to determine whether or not an organization can be considered a priori to be a nonprofit and voluntary. Rather, information is required about the extent to which an organization meets the five criteria outlined in the operation definition.

Table 1. Labels and Key Definitional Elements (from Febraro, Hall and Parmegiani, 1999).

Labels	Origin	Includes	Excludes
Nonprofit Sector	Economics	Non-market, non-state, non-household part of the social order; traditional voluntary organizations, hospitals, universities, religious organizations, economic and trade associations	May exclude mutual benefit organizations (e.g., credit unions, country clubs, labour unions, trade associations and business leagues)
Civil Society	--	Organizations that mediate between the individual and state, that are separate from the process of voting but that allow citizens to participate in the development of a democracy; may include member-serving organizations (e.g., co-operatives, religious societies, trade organizations) and other types of organizations (e.g., non-governmental organizations).	Organizations directly involved in the process of voting/the ballot; state organizations.
Not-for-profit	Economics/ Accounting/ Law	Mutual benefit and public benefit organizations; organizations subject to a nondistribution constraint	Labour unions, professional associations and business associations
Social Economy	--	Co-operatives, nonprofits in public service, mutual nonprofits serving a membership	Organizations not independently governed; those with operations that are strictly commercial; those with non-democratic models of governance
The Commons	Sociology	Outside the home and away from the family; independent of political states and economic markets	Organizations that are non-philanthropic and non-charitable
Voluntary Sector	Sociology	Clubs, associations and groups characterized largely or exclusively by non-coercive membership or free unconstrained participation; organizations independent from the state and non-profit-making	All quasi-state institutions (e.g., hospitals and universities)
Third Sector and Independent Sector	Political Science	May include quasi-state organizations (e.g., hospitals and universities)	Public and private sector organizations
Non-governmental Sector	--	Organizations outside the formal apparatus of the political state	Government organizations
Charitable Sector and Philanthropic Sector	Law & Philanthropy	Broadly includes organizations devoted to private action for the public good; organizations doing good for others; and legally registered charitable organizations and charitable foundations (i.e., those working in health, relief of poverty, advancement of education, advancement of religion or other activities of benefit to the community as a whole)	Non-registered charities

Developing A Classification System

In the following sections we briefly introduce some of the general problems associated with developing classification systems. Next we review the major existing classification systems and recommend a preliminary classification framework for use in understanding the role and contributions of voluntary organizations.. As noted earlier, the proposed classification framework has been developed a priori and is based primarily on a conceptual analysis of the possible importance of a variety of possible organizational dimensions. As a result, the classification system should be considered a provisional framework that will require empirical validation.

The terms *typology*, *taxonomy*, *classification* and *categorization* are all used to describe approaches to organizing objects into groups on the basis of their similarities or differences on some set of predetermined characteristics. The purpose of classification is to show the structure and relationship of objects to each other and to similar objects and to simplify these relationships in order to enable general statements about classes of objects (McKelvey, 1982; Sokal, 1974). As the overview of the various labels and definitions that are used to describe voluntary and non-profit organizations, a variety of distinctions may be drawn among voluntary/nonprofit organizations. These distinctions may need to be considered when developing a classification system for the voluntary/nonprofit sector.

There is a large body of literature on classification, particularly within the field of biology, which may usefully guide our efforts to develop a classification system for Canadian nonprofit/voluntary organizations. The terms *typology*, *taxonomy*, *classification* and *categorization* are all used to describe approaches to organizing objects into groups on the basis of their similarities or differences on some set of predetermined characteristics. Whether developing theories and methods for organizing objects into groups, or assigning objects to groups according to their essential characteristics, the purpose of classification is to describe the structure and relationship of objects to each other and to similar objects and to simplify these relationships in order to enable general statements about classes of objects (McKelvey, 1982; Sokal, 1974).

In the taxonomy literature, a distinction is made between *monothetic* and *polythetic* classifications (Sokal, 1974). In monothetic classifications, established classes differ by at least one property that is uniform among the members of each class and are based on discrete (as opposed to continuous) attributes. For example, nonprofit organizations differ from for-profit organizations in that all share the profit distribution constraint. Alternately, in polythetic classifications, objects are grouped according to an index of similarity that is usually based on their average properties across a number of attributes (e.g., cost, outcome, number of paid staff and volunteers). Polythetic classifications require that objects are sampled and measured in order to derive an index of similarity, whereas monothetic classifications can be made a priori without empirical study.

Most voluntary and nonprofit sector classifications that have been developed to date are monothetic systems. They do not rely on sampling organizations or on efforts to empirically determine their similarities or the dimensions underlying their similarities. If experience in other disciplines is a guide, we can anticipate that these systems will suffer from two major weaknesses. First, it is difficult to determine which of the many possible organizational features should form the basis for classification. Second, these systems tend to have so many classes that they lose their utility.

It is important to also note that classification does not require the grouping of objects into mutually exclusive categories, although most existing voluntary and nonprofit sector classification systems are constructed in this manner. As Sokal (1974) points out, the whole idea of non-overlapping classification is attractive to the human mind, but it is not the only approach to classification that exists.

McKelvey (1982) provides a number of attributes of an ideal organizational classification including the following three characteristics: First, it requires sharp *discontinuities among the objects being classified* so that there is little argument that the objects are indeed different and need to be placed in different classes. Second, the ideal classification *has high levels of homogeneity within class*es. The greater the homogeneity, the more successful the classification because it will mean that the description of one member will apply to all members of that class.

Third, it is preferable if the groupings are *stable over time.* If the composition and meaning of the groupings change over time, then the classification becomes outmoded.

In their review of nonprofit sector classification systems, Salamon and Anheier (1992, 1997) present five criteria for assessing classification systems. These are:

i   *Economy*: An effective classification system must organize the vast number of entities in the voluntary sector into a reasonable number of groupings, using a limited number of organizing criteria.

ii *Significance*: The system must organize its groupings according to truly significant and meaningful differences in the entities being studied. In other words, the distinguishing characteristics used to separate thousands of voluntary sector organizations should create relatively homogeneous groups.

iii *Rigor*: The system should be rigorous and reliable. The criteria should also be clear enough and based on widely obtainable information so that different people will group the same organizations in the same way.

iv *Combinatorial richness*: The system should provide enough diversity within it to highlight interesting relationships, comparisons and contrasts. This criterion needs to be balanced with the need for economy.

v   *Organizing power*: The system should be flexible enough to fit circumstances other than those it was originally developed to fit. (This is especially important for international work.)

Of the criteria listed above, economy, rigor, combinatorial richness, and organizing power are designed to help evaluate the utility of the *structure* of a classification system. The *significance* criterion, although central to the overall validity of a system, is highly subjective. Wolpert (1993) supports this view with a call for "meaningful, significant and relatively homogeneous categories" of classification. In other words, the categories of a classification system should be organized according to *meaningful* and *significant* key characteristics.

These evaluative criteria may be applied to three key areas in a classification system: the unit of analysis, the organizing dimensions of the classification system, and the coding structure of the system. The *unit of analysis* may be a pivotal choice that influences the overall utility of a classification system. In the case of the voluntary and nonprofit sector, the choice ranges from the smallest unit possible, the program, to the next largest unit, the establishment (a distinct unit in one physical location, operating somewhat independently from other parts of the organization), to the largest unit, the organization. Each choice presents a distinct set of problems and difficulties. The goal is to find the unit of analysis that is both most homogenous in terms of the relevant classification dimension and that also allows for adequate data collection (Salamon & Anheier, 1992). The program may be too small a unit because it may not have the same permanence and level of institutionalization as the organization, rendering year-over-year comparisons difficult. The organization my be too large a unit, presenting difficulties in determining the primary activity of an organization, and may result in the accumulation of incomplete or distorted data. The establishment may provide a key midpoint, but its definition may be open to interpretation.

The *organizing dimensions* are the central elements of a classification system. They are the means through which the units of analysis (e.g., programs or establishments or organizations) are distinguished from one another, and therefore identify the central elements of those units. Ultimately, the structure of the classification system, and the inquiries, comparisons, and analysis permitted by that structure, will be determined by the selection of organizing characteristics used in distinguishing the appropriate units from one another.

Selecting the organizing dimensions, and thereby identifying which characteristics are significant for separating units into different groups, is a matter of judgement and is guided by the purposes of the classification. Most, if not all, nonprofit/voluntary sector classifications are designed for specific purposes, and these purposes ultimately influence the form and structure chosen by the designer of a classification system. These purposes may include:

i   seeking to understand and analyze financial flows in the sector for economic analysis;

ii   seeking to understanding the relationships/links that organizations have with the public and business sectors;

iii wanting to understand human resources development in the sector, including dimensions of volunteer labour;

iv measuring the impact that public policy decisions may have on the sector; or

v analyzing program outcomes in a macro context.

Choosing the Dimensions of Classifications. Organizations have a host of characteristics that could be used for developing classification systems. Below is a list of 36 categories of organizational attributes that could be used to classify organizations (Haas, Hall, & Johnson, cited in McKelvey, 1982). These categories emphasize the structural attributes of the organizations as a whole and include:

- Organizational goals and objectives
- Major activities of the organization
- Basic organizational character or orientation
- General levels of workers (members)
- Major divisions or departments (horizontal differentiation)
- Vertical and horizontal complexity
- Geographical dispersion of personnel and facilities
- Committees and boards
- Organizational control (source of major policy decisions)
- Dependency on other organizations
- Competition with other organizations
- Governmental control and regulation
- Supply of potential members
- Primary sources of income
- Financial condition of the organization
- Age of the organization.

Similarly, Jansen, Senecal and Thompson (1983) proposed a list of 16 possible dimensions for the classification of voluntary organizations. These are divided into two groups: organizational dimensions (structure); and organizational action dimensions (activity).

i   Organizational dimensions are those which fall under structural measures of an organization. Possible key dimensions are:

- *Size of organization.* Measured in many possible ways including: annual budget; number of members; or a composite index of these factors and others such as number of paid staff, volunteer time utilized, number of offices, and net worth of the organization.

- *Source and degree of sanction.* The measure of this key feature would indicate the characteristics of the constituency that the organization serves and the level of support it receives from that community and the broader public (e.g., measuring financial and volunteer contributions). The constituency groups could be a grassroots, elite, or broader in nature, or a government organization, for example.

- *Organizational structure and affiliation.* Examination of this key feature would indicate an organization's internal structure and the number and nature of its links with other organizations in the economy.

- *Funding source(s) and security of funds.* This key feature would assess whether funds are from private donations, fees, earned income or government sources, and whether there is year-over-year security of the receipt of such funds.

- *Decision-making and control.* This key feature would highlight the internal management structure (e.g., role and power of the board of directors), and the division of labour within an organization, including such things as the extent to which volunteer labour is utilized.

- *Maturation/institutionalization of group.* This would be a measure of the organization's age and permanence.

- *Role of volunteers.* Use of this key feature would be to measure the use of volunteers in the organization, the proportion of volunteer workers to paid staff, how volunteers are trained and how they are utilized in the organization, including which activities they engage in.

ii Action Dimensions are those that measure the type of activities that are conducted within the organization. Possible key dimensions are:

- *Locus/scope of concern.* Whether an organization's work is local, regional, national or international.
- *Essential nature of service.* The measure of the type of services an organization provides and whether these services are near-government, quasi-government, or a substitute for government-provided services.
- *Benefit target population.* The measure of the interest group or target population intended to benefit from the action of a voluntary organization, including the size and area location of the target population.
- *Influence target population.* The measure of the groups or populations that the organization intends to influence through its activities.
- *Purpose/goals.* The intended outcome(s) of an organization's activities.
- *Outputs.* The outputs may be measured in terms of persons benefited/serviced, amount of money raised, number of publications printed and distributed, media coverage, and volunteer time contributed.
- *Process.* The actual activities carried out by an organization in order to achieve its purpose or goals.
- *Domain/sector.* The economic sub-sector in which the organization is active such as health, education, sports, arts and culture, and so on.
- *Multi-purpose/multi-function groups.* The groups that are active in several domains, producing several outputs through a number of processes.

Although there are many possible organizing dimensions, most classification systems classifications employ a one-dimensional, economic classification system that focuses on the major activity of an organization. Such a system may be useful for certain purposes (e.g., understanding economic contributions), but it may limit our ability to organize organizations for other purposes (e.g., according to broader, social contributions).

Existing Classification Systems and their Utility for the NSVO

 Febrarro, Hall, and Parmegiani, (1999) review existing classification system for voluntary and nonprofit organizations and recommend a preliminary classification framework for use in future research into the economic and social contributions of voluntary organizations. Rather than review these classification systems in detail here, they are summarized in Table 2. Two systems hold particular promise for use in the NSVO and these are discussed in some detail below.

Table 2. Voluntary and nonprofit sector classifcation systems (from Febrraro, Hall and Parmegiani, 1999).

CLASSIFICATION SYSTEM	UNIT OF ANALYSIS	ORGANIZING DIMENSIONS	ORIGIN/USE	VOLUNTARY/ NONPROFIT ORGANIZATION CRITERIA
International Standard Industrial Classification (ISIC)	Enterprise	The character of the goods and services produced (e.g., health) The uses to which the goods and services are put (e.g., human health services) The inputs, the process, and technology of production (Primary activity, e.g., research)	Designed by the UN for international industrial/economic comparisons	No more than 50% of the organization's funding may come from either government or revenue generating operations (membership or commercial activities).
North American Industrial Classification System (NAICS)	Establishment	The inputs, the process, and technology of production (Primary activity, e.g., research)	Designed by Canadian, US and Mexican governments to provide pan-North American industrial/economic statistics	No more than 50% of the organization's funding may come from either government or revenue generating operations (membership or commercial activities).
National Taxonomy of Exempt Entities (NTEE)	Organization	The economic area – domain/sector (e.g., health) The process or activity the organization is engaged in (e.g., research)	Designed by the National Centre for Charitable Statistics in the US to provide a means for organizing IRS data on tax-exempt organizations	Only those organizations that are classified as tax-exempt entities by the IRS in the United States
Canadian Charitable Sector Classifications/ Revenue Canada	Organization	Legal designation (charitable organization, charitable foundation, nonprofit organization) Sector/domain, (e.g., health, education) Primary purpose/goal (e.g., education, health services)	Developed for tax collection/information purposes in Canada	Only those organizations that are legally classified as registered charities under Canadian tax law
Classifications Derived From Revenue Canada Categories: Sharpe (1994) and Hall & Macpherson (1995)	Organization	Legal designation (charitable organization, charitable foundation, nonprofit organization) Sector/domain (e.g.,	Developed to help researchers investigating the charitable sector	Only those organizations that are legally classified as registered charities under Canadian tax law

CLASSIFICATION SYSTEM	UNIT OF ANALYSIS	ORGANIZING DIMENSIONS	ORIGIN/USE	VOLUNTARY/ NONPROFIT ORGANIZATION CRITERIA
		health, education) Primary purpose or goal (e.g., education, health services)		
International Classification of Non-Profit Organizations (ICNPO)	Establishment	Primary economic activity (e.g., culture and recreation, education and research, health)	Developed to permit international comparisons of nonprofit sectors	The ICNPO employs five criteria for inclusion in the nonprofit/voluntary sector: 1. Organized. The organization must be institutionalized to some extent. 2. Private. The organization must be institutionally separate from government. 3. Non-profit-distributing. The organization must not return any profits generated to the owners or directors. 4. Self-governing. The organization must be equipped to control their own activities and not be so tightly controlled by government or private business that they essentially function as parts of these institutions. 5. Voluntary. The organization must have a significant degree of voluntary participation, either in the conduct of its activities (program volunteers) or the management of its affairs (voluntary members of the board of directors).
Proposed HRDC Study Classification	Organization	Domain of activity (e.g., health, education, research) Organizational type (e.g., public service, mutual benefit, co-operative) Type of activity (social rights and regulations, community ties, legal services)	Developed to help assess human resource issues in the nonprofit/voluntary sector (adopted from the ICNPO)	Same as ICNPO, but modified and proposes additional classification dimensions to integrate a measure of flexibility into the system for the Canadian case. In its boundary with the public sector, it is suggested that researchers should be allowed to either include or exclude hospitals and universities, depending on the needs of analysis. Along the border of the private sector, it is suggested that replacing the non-profit distribution constraint with a non-profit maximization criterion would be

CLASSIFICATION SYSTEM	UNIT OF ANALYSIS	ORGANIZING DIMENSIONS	ORIGIN/USE	VOLUNTARY/ NONPROFIT ORGANIZATION CRITERIA
		Legal status (e.g., registered charity, private foundation, nonprofit organization)		more useful. This would allow for the inclusion of co-operatives and credit unions, which have played an important and historical role in the development of the Canadian nonprofit sector (see Davidman, Betcherman, Hall, & White, 1998).
National Survey of Giving, Volunteering and Participating (NSGVP)	Organization	Primary activity (e.g., health, education and research)	Developed for the purposes of categorizing organizations named in a Canadian national survey of donor behaviour, voluntary activity and civic participation	Same as ICNPO, but modified and proposes additional classification dimensions to integrate a measure of flexibility into the system for the Canadian case. In its boundary with the public sector, it is suggested that researchers should be allowed to either include or exclude hospitals and universities, depending on the needs of analysis. Along the border of the private sector, it is suggested that replacing the non-profit distribution constraint with a non-profit maximization criterion would be more useful. This would allow for the inclusion of co-operatives and credit unions, which have played an important and historical role in the development of the Canadian nonprofit sector (see Davidman, Betcherman, Hall, & White, 1998).
UK Charity Commission Classification System	Organization	The beneficiaries/client groups (e.g., individuals, institutions, environment) The function of the organization/method of operation (e.g., finance/resources, advocacy, information and research) The industry/field (domain) of operation	Developed by the Charity Commission to: a) provide policy makers, researchers, practitioners and other commentators with a recognizable economic map of the UK voluntary sector b) provide, on an annual basis, the most up-to-date and reliable statistics on the voluntary sector	Organizations defined as general charities must meet four key criteria: 1. Independent governance. Organizations that are separate from government and business, excluding: (a) registered charities that are non-departmental public bodies or quasi-governmental organizations (e.g., British Museums); and (b) financial institutions that are classified in the corporate sector in the system of national accounts (e.g., Charities Official Investment Fund or COIF). 2. Non-profit distributing. Organizations that do not distribute profits to shareholders, excluding

CLASSIFICATION SYSTEM	UNIT OF ANALYSIS	ORGANIZING DIMENSIONS	ORIGIN/USE	VOLUNTARY/ NONPROFIT ORGANIZATION CRITERIA
		(education and training, health)	Attempts to overcome the deficiencies of the ISIC, ICNPO, and the NTEE.	co-operatives. 3. Objectives that confer a wider public benefit. Organizations that provide a public benefit beyond any membership. Those excluded are: (a) friendly societies and building societies; (b) housing associations; (c) sports and social clubs; (d) independent schools; and (e) trade unions. 4. Non-sacramental religious bodies/places of worship. Organizations that are predominantly sacramental religious bodies or places of worship are excluded from the definition of general charities.

The International Classification of Non-Profit Organizations

The ICNPO has been used to classify nonprofit organizations for the purposes of the Johns Hopkins Comparative Nonprofit Sector Project. Salamon and Anheier (1992) proposed the ICNPO after substantial analysis of current industrial classification systems for application to comparative nonprofit sector research and in collaboration with a team of international scholars. The ICNPO finds its origins in the International Standard Industrial Classification and has been used extensively in the Johns Hopkins Comparitive Nonprofit Sector Project that assessed the nonprofit sectors in over 40 countries.

Unit of Analysis. The central unit of analysis used in the ICNPO is the establishment, rather than the enterprise or organization. The pivotal distinction in this approach is that an establishment is defined as a place of operation of an enterprise, whereas an enterprise (or organization) may run several establishments. Each establishment may provide a different primary type of good or service.

Organizing Criteria. The ICNPO utilizes similar key organizing criteria for distinguishing organizations within the voluntary sector, the central one being economic activity. More specifically, economic units are sorted according to the primary type of goods or service provided. Therefore, within this system an establishment that mainly conducts medical research would be classified under research, rather than health, since research is its primary organizational activity and product.

Structure. The ICNPO divides the sector into 12 major activity groups, which are further divided into 24 subgroups, each of which in turn are divided into a number of activities. These activities are listed, although not coded, and no attempt is made at standardization at this level. Salamon and Anheier (1992) avoid standardization at the lowest level of classification because of the diversity of the nonprofit sector in different locations. The major groups and subgroups are presented in Table 3.

Table 3. International Classification of Nonprofit Organizations (from the Draft Handbook on Nonprofit Institutions in the System of National Accounts).

Group 1: Culture and Recreation

1 100 Culture and Arts
Media and communications. Production and dissemination of information and communication; includes radio and TV stations; publishing of books, journals, newspapers, and newsletters; film production; and libraries.
Visual arts, architecture, ceramic art. Production, dissemination, and display of visual arts and architecture; includes sculpture, photographic societies, painting, drawing, design centers, and architectural associations.
Performing arts. Performing arts centers, companies, and associations; includes theater, dance, ballet, opera, orchestras, chorals, and music ensembles.
Historical, literary, and humanistic societies. Promotion and appreciation of the humanities, preservation of historical and cultural artifacts, and commemoration of historical events; includes historical societies, poetry and literary societies, language associations, reading promotion, war memorials, and commemorative funds and associations.
Museums. General and specialized museums covering art, history, sciences, technology, and culture.
Zoos and aquariums.

1 200 Sports
Provision of amateur sport, training, physical fitness, and sport competition services and events; includes fitness and wellness centers.

1 300 Other Recreation and Social Clubs
Recreation and social clubs. Provision of recreational facilities and services to individuals and communities; includes playground associations, country clubs, men's and women's clubs, touring clubs, and leisure clubs.
Service clubs. Membership organizations providing services to members and local communities, for example: Lions, Zonta International, Rotary Club, and Kiwanis.

Group 2: Education and Research

2 100 Primary and Secondary Education
Elementary, primary, and secondary education. Education at elementary, primary, and secondary levels; includes pre-school organizations other than day care.

2 200 Higher Education
Higher education. Higher learning, providing academic degrees; includes universities, business management schools, law schools, medical schools.

2 300 Other Education
Vocational/technical schools. Technical and vocational training specifically geared towards gaining employment; includes trade schools, paralegal training, secretarial schools.
Adult/continuing education. Institutions engaged in providing education and training in addition to the formal educational system; includes schools of continuing studies, correspondence schools, night schools, and sponsored literacy and reading programs.

2 400 Research
Medical research. Research in the medical field; includes research on specific diseases, disorders, or medical disciplines.
Science and technology. Research in the physical and life sciences, and engineering and technology.
Social sciences, policy studies. Research and analysis in the social sciences and policy area.

Table 3. International Classification of Nonprofit Organizations (from the Draft *Handbook on Nonprofit Institutions in the System of National Accounts* (Continued).

Group 3: Health

3 100 Hospitals and Rehabilitation
Hospitals. Primarily inpatient medical care and treatment.
Rehabilitation. Inpatient health care and rehabilitative therapy to individuals suffering from physical impairments due to injury, genetic defect, or disease and requiring extensive physiotherapy or similar forms of care.

3 200 Nursing Homes
Nursing homes. Inpatient convalescent care, residential care, as well as primary health care services; includes homes for the frail elderly and nursing homes for the severely handicapped.

3 300 Mental Health and Crisis Intervention
Psychiatric hospitals. Inpatient care and treatment for the mentally ill.
Mental health treatment. Outpatient treatment for mentally ill patients; includes community mental health centers, and halfway homes.
Crisis intervention. Outpatient services and counsel in acute mental health situations; includes suicide prevention and support to victims of assault and abuse.

3 400 Other Health Services
Public health and wellness education. Public health promotion and health education; includes sanitation screening for potential health hazards, first aid training and services, and family planning services.
Health treatment, primarily outpatient. Organizations that provide primarily outpatient health services--e.g., health clinics and vaccination centers.
Rehabilitative medical services. Outpatient therapeutic care; includes nature cure centers, yoga clinics, and physical therapy centers.
Emergency medical services. Services to persons in need of immediate care; includes ambulatory services and paramedical emergency care, shock/trauma programs, lifeline programs, and ambulance services.

Group 4: Social Services

4 100 Social Services
Child welfare, child services, and day care. Services to children, adoption services, child development centers, foster care; includes infant care centers and nurseries.
Youth services and youth welfare. Services to youth; includes delinquency prevention services, teen pregnancy prevention, drop-out prevention, youth centers and clubs, and job programs for youth; includes YMCA, YWCA, Boy Scouts, Girl Scouts, and Big Brothers/Big Sisters.
Family services. Services to families; includes family life/parent education, single parent agencies and services, and family violence shelters and services.
Services for the handicapped. Services for the handicapped; includes homes, other than nursing homes, transport facilities, recreation, and other specialized services.
Services for the elderly. Organizations providing geriatric care; includes in-home services, homemaker services, transport facilities, recreation, meal programs, and other services geared towards senior citizens. (Does not include residential nursing homes.)
Self-help and other personal social services. Programs and services for self-help and personal development; includes support groups, personal counseling, and credit counseling/money management services.
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4 200 Emergency and Relief
Disaster/emergency prevention and control. Organizations that work to prevent, predict, control, and alleviate the effects of disasters, to educate or otherwise prepare individuals to cope with the effects of disasters, or to provide relief to disaster victims; includes volunteer fire departments, life boat services, etc.
Temporary shelters. Organizations providing temporary shelters to the homeless; includes travelers aid and temporary housing.
Refugee assistance. Organizations providing food, clothing, shelter, and services to refugees and immigrants.

Table 3. International Classification of Nonprofit Organizations (from the Draft *Handbook on Nonprofit Institutions in the System of National Accounts* (Continued).

Group 4 : Social Services (continued)

4 300 Income Support and Maintenance
Income support and maintenance. Organizations providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.
Material assistance. Organizations providing food, clothing, transport, and other forms of assistance; includes food banks and clothing distribution centers.

Group 5: Environment

5 100 Environment
Pollution abatement and control. Organizations that promote clean air, clean water, reducing and preventing noise pollution, radiation control, treatment of hazardous wastes and toxic substances, solid waste management, and recycling programs.
Natural resources conservation and protection. Conservation and preservation of natural resources, including land, water, energy, and plant resources for the general use and enjoyment of the public.
Environmental beautification and open spaces. Botanical gardens, arboreta, horticultural programs and landscape services; organizations promoting anti-litter campaigns; programs to preserve the parks, green spaces, and open spaces in urban or rural areas; and city and highway beautification programs.

5 200 Animal Protection
Animal protection and welfare. Animal protection and welfare services; includes animal shelters and humane societies.
Wildlife preservation and protection. Wildlife preservation and protection; includes sanctuaries and refuges.
Veterinary services. Animal hospitals and services providing care to farm and household animals and pets.

Group 6: Development and Housing

6 100 Economic, Social, and Community Development
Community and neighborhood organizations. Organizations working towards improving the quality of life within communities or neighborhoods, e.g., squatters' associations, local development organizations, poor people's cooperatives.
Economic development. Programs and services to improve economic infrastructure and capacity; includes building of infrastructure like roads; and financial services such as credit and savings associations, entrepreneurial programs, technical and managerial consulting, and rural development assistance.
Social development. Organizations working towards improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well being.

6 200 Housing
Housing associations. Development, construction, management, leasing, financing, and rehabilitation of housing.
Housing assistance. Organizations providing housing search, legal services, and related assistance.
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6 300 Employment and Training
Job training programs. Organizations providing and supporting apprenticeship programs, internships, on-the-job training, and other training programs.
Vocational counseling and guidance. Vocational training and guidance, career counseling, testing, and related services.
Vocational rehabilitation and sheltered workshops. Organizations that promote self-sufficiency and income generation through job training and employment.

Table 3. International Classification of Nonprofit Organizations (from the Draft *Handbook on Nonprofit Institutions in the System of National Accounts* (Continued)

Group 7: Law, Advocacy, and Politics

7 100 Civic and Advocacy Organizations
Advocacy organizations. Organizations that protect the rights and promote the interests of specific groups of people, e.g., the physically handicapped, the elderly, children, and women.
Civil rights associations. Organizations that work to protect or preserve individual civil liberties and human rights.
Ethnic associations. Organizations that promote the interests of, or provide services to, members belonging to a specific ethnic heritage.
Civic associations. Programs and services to encourage and spread civic mindedness.

7 200 Law and Legal Services
Legal services. Legal services, advice, and assistance in dispute resolution and court-related matters.
Crime prevention and public policy. Crime prevention to promote safety and precautionary measures among citizens.
Rehabilitation of offenders. Programs and services to reintegrate offenders; includes halfway houses, probation and parole programs, prison alternatives.
Victim support. Services, counsel, and advice to victims of crime.
Consumer protection associations. Protection of consumer rights, and the improvement of product control and quality.

7 300 Political Organizations
Political parties and organizations. Activities and services to support the placing of particular candidates into political office; includes dissemination of information, public relations, and political fundraising.

Group 8: Philanthropic Intermediaries and Voluntarism Promotion

8 100 Grant-making Foundations
Grant-making foundations. Private foundations; including corporate foundations, community foundations, and independent public-law foundations.

8 200 Other Philanthropic Intermediaries and Voluntarism Promotion
Volunteerism promotion and support. Organizations that recruit, train, and place volunteers and promote volunteering.
Fund-raising organizations. Federated, collective fundraising organizations; includes lotteries.

Group 9: International

9 100 International Activities
Exchange/friendship/cultural programs. Programs and services designed to encourage mutual respect and friendship internationally.
Development assistance associations. Programs and projects that promote social and economic development abroad.
International disaster and relief organizations. Organizations that collect, channel, and provide aid to other countries during times of disaster or emergency.
International human rights and peace organizations. Organizations which promote and monitor human rights and peace internationally.

Table 3. International Classification of Nonprofit Organizations (from the Draft *Handbook on Nonprofit Institutions in the System of National Accounts* (Continued).

Group 10: Religion

10 100 Religious Congregations and Associations
Congregations. Churches, synagogues, temples, mosques, shrines, monasteries, seminaries, and similar organizations promoting religious beliefs and administering religious services and rituals.
Associations of congregations. Associations and auxiliaries of religious congregations and organizations supporting and promoting religious beliefs, services and rituals.

Group 11: Business and Professional Associations, and Unions

11 100 Business Associations
Business associations. Organizations that work to promote, regulate, and safeguard the interests of special branches of business, e.g., manufacturers' association, farmers' association, bankers' association.

11 200 Professional Associations
Professional associations. Organizations promoting, regulating, and protecting professional interests, e.g., bar association, medical association.

11 300 Unions
Labor unions. Organizations that promote, protect, and regulate the rights and interests of employees.

Group 12: [Not Elsewhere Classified]
12 100 N.E.C.

Evaluation. One of the ICNPO's major limitations is its focus on economic characteristics (i.e., area of economic activity) for distinguishing among nonprofit organizations. The ICNPO demonstrates economy in its structure, employing only 27 categories to classify organizations, but because there is only one organizing principle underlying the classification, it lacks combinatorial richness. In terms of its advantages, it appears to offer a useful economic classification system that strikes an appropriate balance between the need to capture diverse activities without creating too many categories. In addition, the definition of nonprofit organizations that is employed in the ICNPO is sufficiently broad to give it wide applicability for understanding at least some of the economic contributions of voluntary/nonprofit organizations.

The ICNPO differs from many other classifications outlined in Table 2 in its choice of establishment as the primary sampling unit. This allows for far greater detail on the outputs, and perhaps outcomes, of nonprofit/voluntary organizations than do classifications that use the

organization as the primary sampling unit. However, this approach complicates estimates regarding the overall number of organizations and their activities.

United Kingdom Charity Commission Classification System

The National Council for Voluntary Organizations (NCVO) in the United Kingdom developed a classification system of "general charities" for the Office for National Statistics Survey of Charitable Organizations and employs the classification in the *United Kingdom Voluntary Statistical Almanac 1996* (Hems & Passey, 1996). This classification system was originally constructed to replace the original Charity Commission's classification that was based on the four "heads" of charity (the relief of poverty, the advancement of education, the advancement of religion, and other purposes beneficial to the community).

The system of classification and the definitional framework is based on two central goals:

i   To provide policy makers, researchers, practitioners and other commentators with a recognizable economic map of the UK voluntary sector; and,

ii   To provide, on an annual basis, the most up-to-date and reliable statistics on the whole voluntary sector.

The system considers the clients/beneficiaries and functions of the organization, as well as the industry/domain of the organization, and reflects a conscious attempt to overcome a number of perceived deficiencies of the ISIC, the ICNPO, and the NTEE. These classifications were considered "one-dimensional" in that they focus only on the industries in which voluntary organizations operate and reflect neither the functions performed by the charities nor the beneficiaries or client groups of the organizations.

Unit of Analysis. The unit of analysis is the organization.

Structure. This classification system is based on three organizing dimensions:
- The beneficiaries/client groups;
- The function of the organization/method of operation;
- The industry/field (domain) of operation.

Organizations in the classification are categorized along the three dimensions of beneficiaries, function and industry as outlined in Table 4.

Table 4. United Kingdom Charity Commission Classification System

Beneficiaries

1.Individuals (e.g., elderly, children)

2.Institutions (e.g., schools, hospitals)

3.Environment (e.g., conservation, heritage, fauna)

Function

1.Finance/resourcing (e.g., grantmaker, fundraiser)

2.Provision of buildings/facilities (e.g., residential, recreational)

3.Provision of services (e.g., training, health care)

4.Advocacy, information and research (e.g., campaigning, advice)

5.Representation (e.g., umbrella group, trade association)

Industry

1.Education and training

2.Health

3.Social care and development

4.Accommodation and housing

5.Culture and recreation

6.Religious activities

7.Business

8.Environment and animals

9.General charitable purposes

Evaluation. The UK Charity Commission has a number of advantages over other classification systems. Its greatest advantage is its use of a multi-dimensional classification system that uses categories that are likely to have some policy relevance for assessing value. For example, policy development in the areas of service provision would be aided by an understanding not only of the

area of economic activity (e.g., health vs. social service) but also by an understanding of the recipients of these services. It is also important to distinguish those organizations that provide direct services from those that are engaged in advocacy or the financing of nonprofit/voluntary sector organizations because these organizations play different but important roles in the sector.

Some of the limitations of the UK classification system include its relatively narrow definition of the organizational population that excludes organizations such as housing associations, sports and social clubs and religious organizations. In addition, the Industry category has only 9 sub-categories (compared to 27 for the ICNPO) which may restrict the descriptive power of the classification system.

A Proposed Classification System

Knowledge gained from the development of scientific classification systems in areas such as biology suggests that having many organizing dimensions will create a more accurate picture of the voluntary and nonprofit sector than will one with few organizing dimensions (Sokal, 1974). However, this must be balanced with the need for having a classification system which helps to organize and summarize information. At present the most complex voluntary/nonprofit classification systems employ, at most, four organizing dimensions.

A number of principles may be used to guide decisions about the appropriate organizing dimensions to employ in a classification system of the voluntary and nonprofit sector:

1. The system should be sufficiently general to allow it to be used for a variety of purposes.
2. The system should have linkages with existing classifications in use.
3. The system should organize information in a way that is relevant to policy development.
4. The system should favour dimensions that have been found to have practical utility in other settings.

On the basis of the above criteria, it is proposed that the most useful classification system for the voluntary and nonprofit sector in Canada is a system that combines the International Classification of Non-Profit Organizations (ICNPO), the United Kingdom Charity Commission

Classification System and that also captures both the legal status of the organization (unincorporated, incorporated, and incorporated – registered charity) and the size of the organization's annual revenue.

 The ICNPO demonstrates economy in its structure and strikes a balance between the need to capture the diversity of voluntary/nonprofit activities without creating too large a number of categories. Although the ICNPO uses only one organizing principle (area of economic activity), the definition of nonprofit organizations that is employed in the ICNPO is sufficiently broad to give it wide applicability for understanding many of the contributions of voluntary/nonprofit organizations (e.g., grass-roots organizations or self-help organizations), yet specific enough to exclude those organizations (e.g., hospitals) that are so tightly controlled by government that they cannot be considered self-governing.

The UK Charity Commission Classification System, developed by the National Council for Voluntary Organizations (NCVO) in the United Kingdom, has a number of advantages over other classification systems. Its greatest advantage is its use of a multi-dimensional classification system that uses categories that are likely to have some policy relevance.. For example, policy development in the areas of service provision would be aided by an understanding not only of the area of economic activity (e.g., health vs. social service) but also by an understanding of who the recipients of these services are and what the function of the organization is. We therefore suggest that a classification of the voluntary/nonprofit sector should include the following two dimensions: (1) *beneficiaries/client* groups – individuals, institutions ,or the environment; and (2) *functions/methods of operation* – financing/resourcing , provision of buildings/facilities, provision of services, advocacy, information and research, and representation. We do not propose to use the industry classification used in the UK system because greater detail on economic activity will be provided by the INCPO categories.

It also recommended that the classification system should acknowledge two key characteristics of organizations that are likely to have an effect on their operations: (1) their legal status (e.g., whether or not they are registered as charities); and (2) the size of the organization (as measured by organizational revenues).

The proposed classification system for the NSVO will therefore include the following five organizing dimensions:

(a) major area of activity using the ICNPO categories;

(b) beneficiary of services, using the UK Charity Commission categories (individuals vs. institutions vs. environment);

(c) function of the organization, using the UK Charity Commission categories (finance/resourcing; provision of buildings/facilities; provision of services; advocacy, information, and research; and representation);

(d) legal status (unincorporated vs. grass-roots association vs. incorporated nonprofit vs. registered charity); and

(e) size of revenue (e.g., small, medium, large).

In addition, our review of existing classification systems, and the strengths and weaknesses of these systems, leads us to suggest that an initial classification of voluntary/nonprofit organizations should be constructed in a nonhierarchical fashion and that categories should be treated as overlapping rather than discrete and nested within one another.

Finally, it should be noted that this classification system has been developed a priori and should be considered to be a provisional system that will require validation and will be subject to empirical testing and revision . For example, further refinement and testing of the classification system may reveal the importance of additional organizing dimensions, such as degree of volunteer participation, degree of profit distribution / maximization, funding sources, degree of autonomy from government and/or the private sector, and scope (e.g., national, regional/provincial, local).

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i. According to Anheier, Rudney, and Salamon (1992), distinguishing the nonprofit and household sectors may lead to higher estimates of the value-added or contribution of the nonprofit sector.